



January 20, 1984

Dear Fellow Employee:

Bob Davidson discussed in his letter of January 5th, that the steel industry is in a critical phase of its existence. Many steel companies are in the process of attempting to increase productivity and reduce cost in order to avoid bankruptcy.

We have stated in our meetings with you that many manufacturing plants in the U.S. are faced with this problem of survival mainly brought about by the emerging of a world economy rather than just a local or U.S. economy.

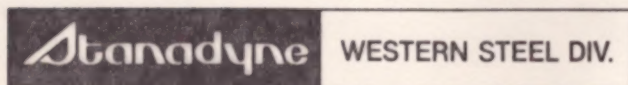
Many companies in the deregulated trucking industry, like the airlines that Bob mentioned, are also making needed adjustments in order to be one of the survivors. Many trucking companies have gone out of business because management and the drivers couldn't reach a mutual agreement that would save the company and continue to provide good jobs for the drivers.

Mesta Machine Company, at one time one of the largest machinery builders in the world, filed bankruptcy in 1983 and closed its doors. At one time they had as many as 4,000 people working at its plant in West Hampstead, Pa. Analysts say that it became uncompetitive due to the combination of high wages plus overstaffing due to inflexible work rules and, therefore, could no longer compete with stronger foreign and domestic companies. This is another example of a company and its employees not being able to make the necessary adjustments.

I am listing below the average hourly earnings of our Gary plant's major unionized competitors:

<u>Company</u>	<u>A.H.E.</u>
A	\$9.22 hr.
B	8.75 "
C	8.05 "
D	7.94 "
E	8.30 "

The Gary plant's A.H.E. is currently \$12.596 per hour. This amount does not include the cost for fringes such as hospitalization, medical and pension. These high labor costs coupled with our present level of productivity place us in an increasingly difficult competitive position.



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We have talked about the overcapacity in the cold finished bar industry which compounds all of our problems. Unless we are able to reduce the cost of producing cold finished steel at Gary, we will continue to lose orders to our competition which will erode our market share and eventually force the closing of the Gary plant.

All cold drawn bar producers are fighting for survival as we are. The Gary plant is a high cost, low producing operation and there is no future without major adjustments. We will be starting negotiations in several weeks. Unless we squarely face up to these problems, we can well place the Gary Plant's future and our own jobs in jeopardy. We hope that collectively we can find the solutions which will change Gary into a low cost, high producing survivor with a strong future. You have a voice in your future. Make your position known to your union committee.

Yours very truly,

Frank E. Catchpole

Frank E. Catchpole
Vice President & General Manager

FEC/fmm